Supreme Court, U.S.
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No. 02-1307

IN THE

Supreme Court of the United States

GRACE CONSULTING, INC. t/a GRACE MAINTENANCE INT. and ANTHONY ILUTZI,

Petitioners,

v.

DUN & BRADSTREET SOFTWARE SERVICES, INC. and GEAC COMPUTER SYSTEMS, INC.

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATED COURT OF APPEALS FOR THE THIRD CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Third Circuit was correct in finding that particular software maintenance services provided by a particular third-party consultant that involved unauthorized copying, modification, and use of copyrighted software in violation of a particular and unique license agreement constituted copyright infringement.

2. Whether the Third Circuit was correct in holding that alleged evidence of "custom and practice" may not be used to contradict the express terms of a written contract.

3. Whether the Third Circuit properly found that a copyright misuse defense was not available on the facts presented.

4. Whether the Third Circuit correctly found that trade secret claims were not preempted by Section 301 of the Copyright Act where such claims fell outside the scope of protection afforded by the Copyright Act.

PARTIES TO THE CASE

The petitioners, appellees/cross-appellants below, are Grace Consulting, Inc. t/a Grace Maintenance Int. and Anthony Ilutzi, collectively referred to herein as "Petitioners." The respondents, appellants/cross-appellees below, are Dun & Bradstreet Software Services, Inc., now known as Geac Computer Systems, Inc., and Geac Enterprise Solutions, Inc., referred to herein collectively as "Respondents."

Pursuant to this Court's Rule 29.6, Respondent states that Geac Computer Systems, Inc. is now known as Geac Enterprise Solutions, Inc. Geac Enterprise Solutions, Inc. is a wholly own subsidiary of Geac Computer Corporation Limited, a Canadian corporation which is publicly traded on the Toronto Stock Exchange.

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The District Court's opinion dated August 13, 1996 granting Petitioners' motion for summary judgment dismissing Respondents' claim for trade secret misappropriation is unreported. It is reproduced in Petitioners' Appendix at pages 77 to 90.

The jury verdict was rendered in the District Court on June 2, 2000.

The oral opinion of the District Court rendered on August 7, 2000 denying Respondents' motion for judgment notwithstanding the verdict or, alternatively, for a new trial is unreported. A transcript of that opinion is reproduced in Petitioners' Appendix at pages 59 to 74.

The opinion of the Court of Appeals reversing decisions of the District Court is published at 307 F.3d 197. It is reproduced in Petitioners' Appendix at pages 1 through 48.

BASIS FOR SUPREME COURT JURISDICTION

The Judgment and mandate of the United States Court of Appeals for the Third Circuit was issued on September 24, 2002. The Court of Appeals denied Petitioners' Petition for Rehearing En Banc by way of Order dated December 4, 2002. The basis for jurisdiction in this Court is 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

17 U.S.C. § 101. Definitions.

> A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangements, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work or authorship, is a "derivative work".

17 U.S.C. § 102. Subject Matter of Copyright: In General.

> (a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:
>
> (1) literary works;
>
> * * *

17 U.S.C. § 106. Exclusive Rights in Copyrighted Works.

> Subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> (1) to reproduce the copyrighted work in copies or phonorecords;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending;

* * *

17 U.S.C. § 301. Preemption With Respect to Other Laws.

> (a) On or after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to –

(1) subject matter that does not come within the subject matter of copyrights as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

* * *

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106;

* * *

17 U.S.C. § 501. Infringement of Copyright.

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 121, * * * is an infringer of the copyright * * * .

STATEMENT OF THE CASE

Introduction

This is a garden-variety copyright infringement case, unique to its facts and presenting no issue for review by this Court. It arises out of Petitioners' unauthorized use, copying and modification of Respondents' copyrighted proprietary business software. That software, known as "Millennium," is complex business software used by major corporations to perform a variety of accounting and business functions. Petitioners are a third-party provider of computer software maintenance services. As the Third Circuit found below, Petitioners' unauthorized use, copying, and modification of Respondents' software violated the express terms of Respondents' license agreement with their customers. As such, Petitioners have infringed Respondents' copyrights as a matter of law.

There is no reason for this Court to review that finding, as it turns on the straightforward application of long-established copyright law to Petitioners' particular activities and the particular provisions of the applicable license agreements. Although Petitioners strive mightily to identify conflicts among the Courts of Appeals, the opinion below and the relevant case law make clear that, like all other Courts of Appeals, the Third Circuit recognized the basic proposition that the copying, modification and use of copyrighted software without authorization constitutes copyright infringement. Thus, the petition presents no conflict whose resolution could benefit Petitioners.

Nor does Petitioners' assertion that the Third Circuit's decision will impose "severe strictures" on Respondents' licensees in need of after-market maintenance services have any validity. The Third Circuit's decision does nothing to prevent those licensees from doing what they have

always been free to do under the applicable license agreement – maintain the software themselves, contract for maintenance from Respondents, or employ third-party consultants in accordance with the express terms of the license. Nothing in the Third Circuit's opinion alters these options.

Petitioners' claim that the Third Circuit's decision will "wreak havoc" on the after-market maintenance industry is also wholly illusory. The Third Circuit's decision will have no effect on the legitimate companies in this industry – its only impact will be on companies such as Petitioners that seek to build their business on copyright infringement.

The Court's refusal to allow extrinsic evidence of industry custom and practice to alter the plain language of the relevant license agreements similarly does not conflict with any the of this Court's prior decisions or the law of any other Circuit. It simply restates basic contract principles.

Petitioners' claim that the Third Circuit erroneously rejected Petitioners' copyright misuse defense, in conflict with the law of other Circuits, is also erroneous. While reserving the issue of whether it would recognize copyright misuse as a valid defense, the Third Circuit concluded that even if it did so, Petitioners had not submitted any evidence supporting such a defense. Since the Third Circuit reached no legal conclusion as to the availability of the copyright misuse defense, there is no split in the Circuits whose resolution could benefit Petitioners.

Finally, Petitioners' assertion that the Third Circuit erred in concluding that the District Court had improperly dismissed Respondents' trade secrets claim is simply incorrect. Although the question of whether the Copyright Act preempts state trade secret claims was an issue of first impression in the Third Circuit, the court expressly followed

the reasoning of the other Circuits that have previously addressed this issue. Thus, this issue also presents no split among the Circuits requiring resolution.

A. Background of the Case.

This case involves the systematic infringement by Petitioners of Respondents' copyrighted business software. That software consists of a relatively complex system of 12 separate programs that perform a number of accounting functions, including accounts receivable and payable, calculation of withholding taxes, and fixed assets. Pet. App. 3-4.[1] The software, known as "Millennium," is licensed to users and customized by Respondents to fit the customer's specific requirements. *Id.* at 4-5. Millennium runs on mainframe computers and is used by relatively large corporations and institutions. *Id.* at 5. In addition to being copyrighted, the computer code is also a trade secret. *Id.* at 4.

The Millennium software requires regular maintenance. *Id.* at 5. This maintenance generally involves fixing program errors, or "bugs," that might exist in the software, updates and upgrades to the software, repairs, telephone support, and the like. *Id.* This maintenance necessarily requires modification of the underlying computer code, which results in the creation of a "derivative work". *Id.* at 23-25.

Respondents' license agreement with their licensees prohibits anyone from modifying the Millennium software code without Respondents' authorization. *Id.* at 7. Section

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[1] The abbreviations "Pet." And "Pet. App." Refer to the petition for certiorari and its appendix, respectively.

15 of the license agreement permits third-party consultants, in specified instances, to modify the Millennium code provided the consultant has entered into a non-disclosure agreement that has been approved by Respondents:

> Customer may also disclose [Respondents'] confidential information to Customer's consultants who have been retained to perform *work for hire* in connection with Customer's use of the System. All Customer consultants having access to [Respondents'] confidential information will be required to execute a non-disclosure agreement *acceptable to [Respondents]* prior to disclosure. [*Id.* at 99, § 15 (emphasis added).]

Petitioners are a third-party software maintenance provider that was created for the express purpose of providing maintenance services to Respondents' licensees. *Id.* at 5. In 1993, Petitioners began offering a service called "Remain on Release" that included customizing Millennium for Respondents' licensees' specific needs, fixing "bugs" in Millennium, providing tax and regulatory updates, and modifying Respondents' software code. *Id.* at 6. In the course of providing their "Remain on Release" services, Petitioners obtained and made unauthorized copies of Respondents' software, in part through the use of "copy and call" commands, delivered unauthorized copies of that software to Respondents' licensees, and made and sold unauthorized derivative works by modifying Respondents' software. *Id.* at 21, 23-24, 33.

B. Proceedings Below.

a. District Court

Respondents filed this action in the United States District Court for the District of New Jersey in March 1994, alleging that Petitioners had infringed their copyrights and misappropriated their trade secrets by (i) copying Respondents' copyrighted computer software, (ii) modifying Respondents' copyrighted software to create derivative works, and (iii) producing and offering for sale software that contained portions of Respondents' copyrighted software and further copied Respondents' copyrighted software through "copy" and "call" commands. *Id.* at 3, 11-12. Petitioners filed a breach of contract counterclaim, which included a tortious interference claim. *Id.* at 13.

On August 13, 1996, the District Court granted partial summary judgment in favor of Petitioners, dismissing Respondents' state law causes of action, including their trade secret claims, but preserving Respondents' copyright infringement claims. *Id.* at 85-89.

A nine-week jury trial was held, commencing on March 28, 2000. Pet. 10. On June 2, 2000, following the conclusion of the trial, the jury entered a verdict in favor of Petitioners and against Respondents as to Respondents' claim for copyright infringement. Pet. App. 54-57, Respondents then filed a motion for judgment notwithstanding the verdict and for a new trial. *Id.* at 61, 75. That motion was denied by the trial judge. *Id.* at 71, 75. Respondents timely appealed to the Third Circuit. *Id.* at 4.

b. Court of Appeals

In a September 24, 2002, opinion, the Third Circuit reversed the lower court's decisions. *Id.* at 1-51. The heart

of the Third Circuit's opinion was its holding that Respondents were entitled to judgment on their copyright infringement claims as a matter of law. *Id.* at 37. Specifically, the Third Circuit found that Petitioners' activities were infringing and were *not* permitted under the terms of the applicable license agreement between Respondents and their licensees, and that Petitioners had *not* received permission from Respondents themselves to perform these activities. *Id.* at 21-30. The Court also reinstated Respondents' trade secret claim. *Id.* at 44. The Court reasoned that Respondents had presented evidence to support a trade secret claim containing the requisite "extra element" to avoid preemption under 17 U.S.C. § 301 and that there were genuine issues of material fact as to whether trade secrets were misappropriated, making summary judgment inappropriate. *Id.* at 41-44.

Petitioners subsequently petitioned for rehearing *en banc*. *Id.* at 53. In a December 4, 2002 Order, the Third Circuit denied Petitioners' petition. *Id.* Petitioners then unsuccessfully moved for a stay of the Third Circuit's mandate while they petitioned this Court for certiorari. Petitioners filed their petition on March 4, 2003. Pet. 20.

REASONS WHY THE PETITION SHOULD BE DENIED

I. THE THIRD CIRCUIT CORRECTLY FOUND THAT THE MAINTENANCE SERVICES PROVIDED BY PETITIONERS VIOLATED THE TERMS OF RESPONDENTS' LICENSE AGREEMENT AND CONSTITUTED COPYRIGHT INFRINGFEMENT

Petitioners assert that the Third Circuit's conclusion that Petitioners infringed Respondents' copyrights as a matter of law was in error, and present several supposedly "substantial" issues for resolution by this Court. Each of those purported issues, however, relies on a misstatement of the record and a misrepresentation of the Third Circuit's decision. Because there is no legitimate issue for this Court to consider, the petition should be denied.

A. There Is No "Substantial Question" As To Whether Respondents' License Agreement Allows Third-Party Maintenance

Petitioners' first argument is that the Third Circuit erred in finding copyright infringement as a matter of law because Respondents' license agreement expressly permits third party maintenance. Pet. App. 21-25; Pet 12. Petitioners claim this presents a "substantial question" for this Court because it will void "thousands" of license agreements and "wreak havoc" on "hundreds" of other independent service organizations ("ISOs"). Pet. 12-13.

The Third Circuit's decision will do no such thing. To begin with, Petitioners did *not* comply with the terms of Respondents' license agreements while performing maintenance, and the purported "unrefuted evidence at trial" (*id.* at 6) that Petitioners complied with Respondents' license

agreements simply does not exist. As the Third Circuit explained,

> Although [Petitioners] assert[] that every one of [their] consultants signed a non-disclosure agreement when they worked on DBS software, we can find none of record except the Hutto document. [Petitioners] fail[] to point to any evidence of non-disclosure agreements signed by [them] or [their] employees with any of [their] customers.[2] [Pet. App. 25.]

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[2] As it did in the petition for rehearing that it filed with the Third Circuit, Petitioner seeks to have this Court consider documents that were not admitted into evidence at trial and do not constitute part of the record on appeal. These documents are a purported license agreement between Petitioner and one of its customers and a non-disclosure agreement for one of Petitioner's consultants (Pet. 6-7; Pet. App. 105-12). Because these materials have never been properly placed before any court in connection with this case, any reference to them in the petition for certiorari or its appendix is wholly inappropriate. *See Bass v. Attardi*, 868 F.2d 45, 51 (3d Cir. 1989) (*quoting United States ex. rel. Bradshaw v. Alldredge*, 432 F.2d 1248, 1250 (3d Cir. 1970) (court "may not consider material or purported evidence which was not brought upon the record in the trial court")); *accord Osborne v. United States*, 351 F.2d 111, 120 (8th Cir. 1965) (motion to stay mandate and remand; court could not consider materials that were not part of record on appeal). Similarly, throughout its Statement of the Case, Petitioner makes repeated references to "facts" that are not contained in the record, and for which it can offer no citation to any of the materials in the appendix. For example, its recitation of supposed "facts" relating to the market for the software and maintenance services at issue in this case is not supported by single citation to the record. These "facts" also do not warrant any consideration by this Court.

Moreover, the Third Circuit's decision was based on the specific conduct of Petitioners and the specific terms of *Respondents'* license agreement, and thus will have no effect on the services provided by *other* companies under *other* license agreements.[3]

Petitioners also argue that if the Third Circuit's decision is not reversed, "no consultant could ever perform maintenance services." Pet. 13. This totally misstates the scope and nature of the Third Circuit's decision. The decision merely recognizes the plain terms to which *these* Respondents' customers have agreed regarding the maintenance services that will be permitted with regard to *this* software, which terms expressly permit such services so long as they are provided by an entity that has executed a non-disclosure agreement *acceptable to Respondents*. Pet. App. 4-5, 99. If this requirement is met, then customers remain free to retain consultants to provide services.

In fact, the *only* entities that will be adversely affected by the Third Circuit's decision are Petitioners, who have built their business on the infringement of Respondents' software. As the Third Circuit itself has previously recognized, however, the fact that a business cannot survive without engaging in infringement does not legitimize such infringement. *See Apple Computer, Inc. v.*

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[3] It is beyond question that this Court does not render advisory opinions. *International Longshoremen's and Warehousemen's Union, Local 37 v. Boyd*, 347 U.S. 222, 223-24 (1954) (Frankfurter, J.) (Supreme Court does not issue advisory opinions as to hypothetical situations). Yet that is exactly what Petitioner would have the Court do if it addressed whether other allegedly "similar" contracts that are *not* before the Court do or do not allow *other* third-party maintenance of *other* companies' software. The Court should eschew that invitation.

Franklin Computer Corp., 714 F.2d 1240, 1255 (3d Cir. 1983) (considering the "devastating effect" of a preliminary injunction on an alleged infringer's business would permit "a knowing infringer . . . to construct its business around its infringement, a result we cannot condone"). Accordingly, the Third Circuit's decision fails to provide *any* basis for review by this Court with regard to the scope of Respondents' license agreement, much less a substantial question.

B. There Is No Conflict Among The Circuits For This Court To Resolve Regarding The Scope Of Respondents' License Agreement

Petitioners contend that the Third Circuit's decision finding copyright infringement as a matter of law is "directly contrary" to the decisions of other Circuits. Pet. 13. In support thereof, Petitioners cite to the Fifth Circuit's decision in *Hogan Sys., Inc. v. Cybersource Int'l, Inc.*, 158 F.3d 319 (5th Cir. 1998). This is the same argument Petitioners unsuccessfully advanced in their petition for rehearing *en banc* before the Third Circuit, and in their unsuccessful motion to stay that court's mandate pending the outcome of their petition for certiorari. In fact, there is no conflict between the two cases. Rather, each case turned on the application of the same law to the specific wording of the particular license agreement in issue. *Compare* Pet. App. 15-37 *with Hogan*, 158 F.3d at 322-24.

In *Hogan*, the maintenance activities were *specifically allowed* by the applicable license agreement. *Hogan*, 158 F.3d at 322-24. Indeed, the *Hogan* court noted that the plaintiff could have specifically prohibited ISOs from providing consulting services under its license agreement if it had wanted to do so. *Id.* at 323. Here, Petitioners' license agreements contained just such a specific

prohibition. Pet. App. 7-11, 98-99. In both cases, the legal analysis was the same. The supposedly "conflicting" outcomes then are the result of the same law being applied to different facts.

C. There Is No Issue For This Court To Resolve As To Petitioners' Use Of "Copy" And "Call" Commands

Petitioners assert that this Court will have to resolve the issue of whether the use of "copy" and "call" commands constitutes copyright infringement, or is permitted under the doctrine of *scenes a faire*. Pet. 14. Under that doctrine, similarities between two programs will not support a finding of infringement where the similarities result from the need to accommodate external constraints such as mechanical specifications, compatibility requirements, or accepted programming practices. *See Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 709 (2d Cir. 1992), *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1375 (10th Cir. 1997), and *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 838 (10th Cir. 1993)

In its opinion, the Third Circuit found that the use of "copy" and "call" commands was an infringement where it resulted in 62% of one of Petitioners' programs (their CNR W-2 program) and 43% of another (their GMI W-2 program) consisting of code copied from Respondents' copyrighted software. Pet. App. 20. The Third Circuit specifically found that this copying was both quantitatively and qualitatively significant. *Id.* at 20-21. The Third Circuit also expressly adopted the reasoning of the courts in *Computer Associates*, *Mitel* and *Gates*, the very cases that Petitioners claim conflict with the decision below, in finding that Petitioners' copying was not permissible under the *scenes a faire* doctrine because, when viewed from the standpoint of the creator of the software, the software was not constrained by any

external factors, and, thus, no parts of Respondents' software were unprotectable. *Id.* at 33-36. Thus, this issue presents only the application of well-established law, as to which there is no split among the Circuits, to the unique facts of this case.

D. Custom And Practice Cannot Be Used To Vary The Unambiguous Terms Of A Contract

Finally, Petitioners claim that this Court should resolve the "seminal legal question" of whether alleged evidence of "custom and practice" may be used to vary the unambiguous terms of Respondents' license agreement with their customers. Petitioners assert that the Third Circuit's refusal to consider extrinsic evidence of an alleged industry custom and practice of permitting off-site maintenance activities, or evidence of the alleged course of conduct between the parties, was contrary to the Third Circuit's decisions in *Langer v. Monarch Life Ins. Co.*, 879 F.2d 75, 81 (3d Cir. 1989), *Northbrook Ins. Co. v. Kuljian Corp.*, 690 F.2d 368, 372 (3d Cir. 1982), and *Mellon Bank v. Aetna Bus. Credit*, 619 F.2d 1001, 1011 (3d Cir. 1980), and in direct conflict with the decisions of other Circuits, including *Bloom v. Hearst Entm't, Inc.*, 33 F.3d 518, 521-22 (5th Cir. 1994) and *Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc.*, 871 F.2d 1082, 1085 (Fed. Cir. 1989). Pet. 15. In fact, the Third Circuit's decision is consistent with these decisions in every respect.

The cases Petitioners cite do not stand for the proposition that industry "custom and practice," or even the "course of conduct" between the parties, can contradict a contract's explicit terms. Rather, they stand for the uncontroversial proposition that where a contract is *ambiguous*, the parties' course of conduct or industry custom with respect to the use of certain terms can assist in

interpreting the written contract, but cannot *contradict* existing terms. *Bloom*, 33 F.3d at 521-22 (extrinsic evidence is only admissible if a contract is found to be ambiguous; whether an ambiguity exists is a question of law); *Northbrook*, 690 F.2d at 372 (the unambiguous words of a contract are to be given their plain meaning); *Mellon*, 619 F.2d at 1013 (although extrinsic evidence may be considered under proper circumstances, the parties remain bound by the objective meaning of the words they used to express their intent).[4]

Although extrinsic evidence *may* be used to determine whether a contract is ambiguous, it is well settled that it may *not* be used to vary the unambiguous terms of an agreement, or to create an ambiguity where none exists. *See International Union, United Auto., Aerospace & Agric. Implement Workers of Am. v. Skinner Engine Co.*, 188 F.3d 130, 145 (3d Cir. 1999); *American Cyanamid Co. v. Fermenta Animal Health Co.*, 54 F.3d 177, 181 (3d Cir. 1995) (*citing Atlantic N. Airlines, Inc. v. Schwimmer*, 96 A.2d 652, 656 (N.J. 1953)). *Cf. Kademenos v. Equitable Life Assur. Soc'y of U.S.*, 513 F.2d 1073, 1078 (3d Cir. 1975) (Kalodner, J., concurring) (evidence of custom is inadmissible to vary unambiguous terms).

The cases cited by Petitioners acknowledge these principles. *See Northbrook*, 690 F.2d at 372 n.5 (extrinsic evidence may be used to show that a contract is ambiguous, but not to vary its terms); *Mellon Bank*, 619 F.2d at 1013

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[4] Petitioner's reliance on *Power Lift, Inc. v. Weatherford Nipple-Up Systems*, 871 F.2d 1082 (Fed Cir. 1989), is entirely misplaced. That patent license case has nothing to do with evidence of industry custom and practice, but rather stands for the basic proposition that a license agreement is governed by ordinary state contract law. *Id.* at 1085.

(parties are bound by the objective meaning of the words used to express their intent); *see also Langer,* 879 F.2d at 81 (contract ambiguous on its face). Indeed, there is *no* case that stands for the extraordinary proposition advanced by Petitioners that industry custom and practice can contradict and supercede the express terms of an unambiguous contract.

Here, the license agreement unambiguously limits each customer's use of Respondents' software to the customer's *own site*, and solely for that customer's use. Pet. App. 92-93, § 2. Nothing in the license agreement even remotely suggests that *off-site* copying and modification of the software by a third party, *without Respondents' approval*, was ever contemplated or approved by Respondents. Thus, by seeking to introduce extrinsic evidence of the alleged custom and practice of the after-market maintenance industry or even of Respondents, Petitioners impermissibly ask this Court to sanction the use of extrinsic evidence to alter the plain terms of Respondents' license agreement. As the Third Circuit itself noted, custom and practice "is no authority to disregard or trump the specific terms of a valid license agreement." *Id.* at 27.

Finally, contrary to Petitioners' assertion, the Third Circuit's decision is also entirely consistent with its prior decision in *MacLean Assocs. Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 778-79 (3d Cir. 1991), which simply noted that a non-exclusive copyright license need not be in writing, but may be implied from the parties' conduct. Here, as in *MacLean*, there was no evidence introduced at trial of a broad implied non-exclusive license that would insulate Petitioners' activities from liability for infringement. *See MacLean*, 952 F.2d at 779. Thus, this issue also does not warrant review by this Court.

II. THE THIRD CIRCUIT PROPERLY CONCLUDED THAT NO COPYRIGHT MISUSE DEFENSE WAS AVAILABLE ON THE FACTS OF THIS CASE

Petitioners' contention that this case presents a split in the Circuits regarding the viability of a copyright misuse defense is also mistaken.

The Third Circuit specifically reserved the issue of whether it would recognize copyright misuse as an infringement defense. Pet. App. 47. The Third Circuit held, however, that even if copyright misuse were recognized as a defense, there was *no* evidence in the record that Respondents had misused their copyrights. *Id.* Because the Third Circuit made no holding as a matter of law with regard to the availability of a copyright misuse defense, its decision could not possibly give rise to a split among the Circuits whose resolution could benefit Petitioners.

III. THE THIRD CIRCUIT CORRECTLY FOUND THAT RESPONDENTS' TRADE SECRET CLAIMS WERE NOT PREEMPTED

Petitioners claim the Third Circuit's decision regarding Petitioners' trade secrets claim, which the Third Circuit held was not preempted by the Copyright Act, conflicts with the decisions of other Circuits.

Although the Third Circuit acknowledged in its opinion that it had not yet addressed this issue, the Third Circuit also noted that "we are not without guidance or a framework." Pet. App. 38-39. The Court then followed the lead set by *every other Court of Appeals* to consider this question, holding that a trade secret claim that asserts a breach of a duty to maintain a trade secret in confidence contains an "extra element" beyond the exercise of the

exclusive rights set forth in § 106 of the Copyright Act and will not be preempted. *Id.* at 40-41 (*citing Data General Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1165 (1st Cir. 1994); *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 847-48 (10th Cir. 1993); *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 660 (4th Cir. 1993); *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 717 (2d Cir. 1992)).

In light of the Third Circuit's express reliance on, and adherence to, the multiple decisions by other Courts of Appeals on this issue, there is no split in the Circuits as to this issue whose resolution would benefit Petitioners, and thus nothing for this Court to address.

CONCLUSION

For the foregoing reasons, the petition for certiorari should be denied.

Respectfully Submitted,

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